

December 16, 1993

RECEIVED

DEC 17 1993

Richard C. Hartgrove
General Attorney

Karol M. Sweitzer
Director-Federal Regulatory
Southwestern Bell Corporation
1401 I Street, N.W., Suite 1100
Washington, D.C. 20005

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Karol:

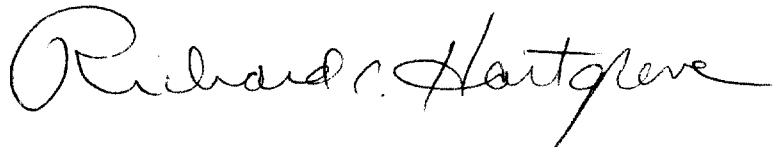
Re: Comments of Southwestern Bell Telephone
Company, CC Docket No. 92-296

Enclosed please find an original and nine (9) copies of the above-referenced pleading to be filed with the Secretary of the Commission on Friday, December 17, 1993. Also enclosed is a copy of the pleading to be filed-stamped and returned to me.

Additional copies of the pleading are attached to be used as the courtesy copies and one is included for your files.

Please call to confirm that the pleading has been filed. Thank you for your assistance.

Very truly yours,



Enclosure

One Bell Center
Room 3520
St. Louis, Missouri 63101

Phone 314 235-2506

No. of Copies rec'd
List A B C D E

029

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

RECEIVED

DEC 17 1993

In the Matter of)

Simplification of the Depreciation)
Prescription Process)FEDERAL COMMUNICATIONS COMMISSION
CC Docket No. 92-296 THE SECRETARY

92-296

COMMENTS OF
SOUTHWESTERN BELL TELEPHONE COMPANY
REGARDING ORDER INVITING COMMENTS

Southwestern Bell Telephone Company, by its attorneys, files the following comments in response to the Federal Communications Commission's (Commission) Order Inviting Comments (OIC) in the depreciation simplification proceeding.¹ In the Depreciation Simplification Order the Commission adopted a streamlined depreciation prescription process for AT&T and the local exchange carriers (LECs) regulated under the price cap incentive regulatory model. Specifically, the Commission adopted the basic factor range option for the price cap LECs.² Under the basic factor range option the Commission will establish ranges for two of the basic factors that determine the depreciation rate: the future net salvage and projection life.³

With the OIC, the Commission takes a positive first step in implementing the basic factor range option by selecting and requesting comments on the depreciation rate categories selected

¹In the Matter of the Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Report and Order (released October 20, 1993) (Depreciation Simplification Order); Order Inviting Comments (Released November 12, 1993) (OIC).

²Depreciation Simplification Order, para. 26.

³Depreciation Simplification Order, para. 6.

and their proposed ranges.⁴ Although the proposed ranges are functional, they are restrictive. The opportunity exists to increase range flexibility and further simplify the process by: 1) establishing ranges for additional categories; 2) improving the proposed ranges; and 3) permitting LECs further use of the simplified filing requirements. SWBT believes data is available to warrant the establishment and improvement of ranges for all rate categories now. At the very least, the Commission should immediately establish ranges for other copper cable categories since technological, competitive and market pressures will rapidly shorten the life of this technology.

In addition, SWBT concurs with the Commission's proposal to establish ranges for homogenous subdivisions of certain accounts.

I. THE COMMISSION SHOULD ESTABLISH RANGES FOR ADDITIONAL CATEGORIES BUT NOT WASTE ITS TIME ESTABLISHING RANGES FOR DYING CATEGORIES.

In the Depreciation Simplification Order, the Commission concluded that ranges should be established for all plant accounts, if feasible, and for as many accounts as practical for use in 1994.⁵ In the OIC, the Commission selected and proposed ranges for twenty-two plant categories.⁶ SWBT recognizes some potential benefit from the Commission's actions as the categories selected represent 59% of SWBT's categories. However, the opportunity exists for the Commission to allow even greater benefits with

⁴OIC, para. 1 and Appendix.

⁵Depreciation Simplification Order, para. 65.

⁶OIC, para. 5.

minimal effort.

A. Additional Categories Can Easily Be Selected.

SWBT concurs with the Commission's directive that the Bureau should recommend ranges for the remaining categories as soon as feasible.⁷ SWBT's situation exemplifies the need for the recommendation and selection of ranges for the additional categories. Although the Commission's initial selection of twenty-two categories represents 59% of SWBT's categories, it only covers approximately 28% of SWBT's plant investment.

The Commission has noted that its limited staff and resources may prohibit it from adopting ranges for all categories as quickly as it would prefer.⁸ SWBT believes that additional categories can be included now without considerable effort. SWBT suggests that additional categories, for which the Commission staff has already established preliminary ranges during initial discussions of simplifying the depreciation process, can be easily included.⁹

The Technology Futures, Inc. (TFI) study attached to the United States Telephone Association Comments filed in response to the OIC, provides justification to warrant the establishment of ranges for all major categories now.¹⁰ At the very least, the

⁷OIC, para, 5

⁸Depreciation Simplification Order, para. 65.

⁹e.g., 2220 Operator Services; 2411, Poles; 2426 Intrabuilding Cable; 2431 Aerial Wire.

¹⁰Further supporting data is also available in other TFI studies including: New Telecommunications Services and the Public Telephone Network (released 1993) and Personal Communications: Perspectives, Forecasts and Impacts (released 1993).

Commission should immediately establish ranges for other copper cable categories because technological, competitive and market pressures will rapidly shorten the life of this technology. For example, the growing demand for broadband services will require increased deployment of optical fiber, which will increasingly strand copper cable investment. The anticipated growth of the wireless industry (e.g., cellular and personal communications services) will likewise reduce the life of copper cable. In addition, fiber is becoming increasingly cost effective when compared to copper (i.e., first cost and ongoing maintenance costs). By establishing the ranges for all categories as quickly as possible, the Commission and the industry will be able to more fully achieve and benefit from the goals of this proceeding.

B. Limited Resources Should Not be Wasted on Dying Categories.

The Commission's limited resources should not be wasted on identifying or setting ranges for dying categories (e.g., electromechanical and analog ESS switches) for which the LECs have specific replacement plans.¹¹ Instead, the Commission should allow amortization for dying categories and utilize its resources to establish ranges for the other categories.

Company-specific plans should dictate the depreciation methodology to be applied to categories of a dying technology. For example, where company plans support a dying account methodology, amortization should be acceptable. In fact, the Commission has already established dying account amortizations which are currently

¹¹Furthermore, equipment manufacturers are no longer producing electromechanical switches. Also, certain technologies simply are no longer marketable in today's environment.

in place for some LECs.¹² Allowing amortization is also consistent with the Commission's recognition of the competitive, technological and market changes the LECs face today.¹³ Commission resources can be better spent on recommending ranges for other categories--they should not be used to establish ranges for dying categories.

II. THE COMMISSION SHOULD IMPROVE THE PROPOSED RANGES.

The Commission also invites comments on the proposed ranges.¹⁴ Although SWBT can realize some potential benefit from the Commission's proposed ranges, the benefit is greatly limited by the requirement that both factors be within the ranges.¹⁵ For example, only fifteen of SWBT's thirty-seven categories (i.e., only 35%) have both factors within the ranges.¹⁶ This represents only 14% of SWBT's plant investment. Thus, these low percentages indicate that the ranges are too narrow -- broader ranges would allow more use of the simplified range treatment. In addition, SWBT concurs with USTA's premise that the low end of the proposed ranges for the major categories should be reduced. SWBT's ability to benefit from the simplification proposed in this proceeding would be greatly enhanced if the Commission would broaden its proposed ranges.

¹²See, In the Matter of the Prescription of Revised Percentages of Depreciation pursuant to the Communications Act of 1934, as amended, for Southwestern Bell telephone Company, DA 92-1100, Memorandum Opinion and Order (released January 15, 1993).

¹³Depreciation Simplification Order, paras. 3, 14-16.

¹⁴OIC, para. 7.

¹⁵See, Depreciation Simplification Order, para. 74.

¹⁶Average of SWBT's five state jurisdictions.

III. THE COMMISSION SHOULD PERMIT LECs FURTHER USE OF THE SIMPLIFIED FILING REQUIREMENTS.

A. Simplified Justification Should be Sufficient to Move From Above the High End of the Range Into the Range.

As indicated in SWBT's Petition for Reconsideration (PFR), the Commission should reconsider its decision that LECs must have both basic factors within the range to take advantage of any simplification in the prescription for that category.¹⁷ Absent reconsideration, some LECs will be precluded from the intended benefits of the Depreciation Simplification Order for some categories. For example, if the basic factors underlying the LEC's current rate category are above the high end of the range, the LEC is required to file a complete depreciation study in order to move into the range, thereby reducing the amount of simplification that can be realized from the new procedures. SWBT submits that if a LEC is above the range and believes that circumstances warrant a move downward into the range, its situation is not significantly different than the carrier who is within the range and desires to move within the range. Therefore, the same level of justification should be adequate for movement from above the range into the range. As indicated in SWBT's PFR, permitting carriers who are above the range and wish to move into the range to file simplified justification would increase simplification and further reduce administrative burden while retaining regulatory oversight.¹⁸

¹⁷See, SWBT Petition for Reconsideration, CC Docket 92-296, pp. 4-5 (filed December 3, 1993).

¹⁸SWBT's PFR, p. 3.

B. The Simplified Process Should be Applicable to any Factor Falling Within the Range.

Should the Commission decide not to consider SWBT's proposal outlined in Section III.A above, the Commission should reconsider its decision requiring LECs to provide a complete depreciation study for both factors even though one factor falls within the Commission's prescribed range.¹⁹ For example, SWBT is within the range for projection life for the Computer category in all five states. However, SWBT is within the range for future net salvage in only one state. Thus, SWBT is precluded from exercising any benefit from the range option for the Computer category in four of its five states, even though projection life is within the range in all five states.

As indicated in SWBT's PFR, the Commission should allow the range approach to be used for that factor which is currently within the range.²⁰ This would permit at least partial use of the simplified process for almost all range accounts in SWBT's five jurisdictions. In addition, permitting partial use of the simplified process for those factors within the range would further support the Commission's goals of wide applicability and administrative savings, without sacrificing reasonableness of the resultant rates.

Should the Commission decide not to consider SWBT's proposals outlined herein and in Section III.A, the Commission should broaden its proposed ranges to allow further use of the simplified procedures.

¹⁹Depreciation Simplification Order, para. 74.

²⁰SWBT's PFR, pp. 4-5.

IV. THE COMMISSION SHOULD ESTABLISH RANGES FOR HOMOGENOUS SUBDIVISIONS OF CERTAIN ACCOUNTS.

The Commission has proposed ranges for homogeneous subdivisions of four accounts and invited comments on this proposal.²¹ SWBT supports the proposal based on the Commission's premise that establishing ranges for such accounts will enable the LECs to streamline their analyses and will result in more accurate estimates for the accounts as a whole.²²

V. CONCLUSION

SWBT appreciates the Commission's efforts in simplifying the depreciation prescription process, and concurs with the Commission that ranges should be set for as many categories as possible as quickly as possible. SWBT supports the intent of the OIC but suggests that the proposals discussed above would further enhance the use of and savings from the new process.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

By



Robert M. Lynch
Richard C. Hartgrove
Bruce E. Beard

Attorneys for
Southwestern Bell Telephone Company

One Bell Center, Suite 3520
St. Louis, Missouri 63101
(314) 235-2507

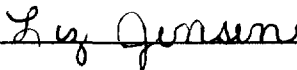
December 17, 1993

²¹OIC, para. 5 & fn. 9.

²²See, OIC, para. 5.

CERTIFICATE OF SERVICE

I, Liz Jensen, hereby certify that the foregoing
Comments of Southwestern Bell Telephone Company, in Docket
92-296, have been served this 17th day of December, 1993 to
the Parties of Record.



Liz Jensen

December 17, 1993

International Transcription Serv.,
Inc.
1919 M Street N.W.
Room 246
Washington, D.C. 20037

Attorneys for American Telephone
and Telegraph Company
Francine J. Berry
Robert J. McKee
Peter H. Jacoby
295 North Maple Avenue
Room 3244J1
Basking Ridge, New Jersey 07920

Accounting and Audits Division
2000 L Street, N.W.
Washington, D.C. 20554

Bell Atlantic
Christopher W. Savage
1710 H Street, N.W.
Washington, D.C. 20006

BellSouth Corporation & BellSouth
Telecommunications, Inc.
M. Robert Sutherland
4300 Southern Bell Center
675 West Peachtree Street, N.E.
Atlanta, GA 30375

California Cable Television Assoc.
Frank W. Lloyd
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, N.W.
Suite 900
Washington, D.C. 20004

Cincinnati Bell Telephone Company
Attorneys For
Thomas E. Taylor
William D. Baskett III
Christopher J. Wilson
2500 PNC Center
201 E. Fifth Street
Cincinnati, OH 45202

Cincinnati Bell Telephone Company
of Counsel:
Frost & Jacobs
2500 PNC Center
201 E. Fifth Street
Cincinnati, OH 45202

Colorado Public Utilities Commission
Robert E. Temmer, Chairman
Anthony Marquez, Esq., Attorney
General
Office Level 2
1580 Logan Street
Denver, CO 80203

General Services Administration
Allie B. Latimer
Vincent L. Crivella
Michael J. Ettner
18th & F Streets, N.W., Rm. 4002
Washington, D.C. 20405

GTE Service Corporation
Richard McKenna
P.O. Box 152092
Irving, TX 75015-2092

GTE Service Corporation
Gail L. Polivy
1850 M Street, N.W.
Suite 1200
Washington, DC 20036

Idaho Public Utilities Commission
Marsha H. Smith
Dean J. Miller
Ralph Nelson
472 W. Washington St.
Boise, ID 83702-5983

MCI Telecommunications Corporation
Elizabeth Dickerson
1801 Pennsylvania Avenue, NW
Washington, D.C. 20036

Michigan Public Service Commission
Ronald G. Choura
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Missouri Public Service Commission
Eric Witte
P.O. Box 360
Jefferson City, MO 65102

National Association of Regulatory
Utility Commissioners
Paul Rodgers
Charles D. Gray
1102 ICC Building
P.O. Box 684
Washington, D.C. 20044

Nebraska Public Service Commission
Frank E. Landis
300 The Atrium
Lincoln, NB. 68508

New York State Dept. of Public
Service
William J. Cowan
General Counsel
Three Empire State Plaza
Albany, NY 12223

North Dakota Public Service
Commission
State Capital
Leo M. Reinbold
Susan E. Wefald
Bruce Hagen
Bismarck, ND. 58505

NYNEX Telephone Companies
Their Attorneys
Mary McDermott
Campbell L. Ayling
120 Bloomingdale Road
White Plains, NY 10605

Oklahoma Corporation Commission
Public Utility Division (The PUD)
Maribeth D. Snapp
400 Jim Thorpe Office Building
Oklahoma City, OK 73105

Public Utility Commission of Oregon
Ron Eachus
Joan H. Smith
Roger Hamilton
550 Capitol St., NE
Salem, OR 97310-1380

Pacific Bell & Nevada Bell
James P. Tuthill
Lucille M. Mates
140 New Montgomery St. Rm. 1526
San Francisco, CA 94105

Pacific Bell & Nevada Bell
James L. Wurtz
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Michael McRae
District of Columbia
Office of People's Counsel
1133 15th St., N.W.
Suite 500
Washington, D.C. 20005

Public Service Commission of
Wisconsin
Cheryl L. Parrino
John T. Coughlin
4802 Sheboygan Avenue
P. O. Box 7854
Madison, WI 53707-7854

Public Utility Commission of Texas
Marta Greytok
Robert W. Gee
Karl R. Rabago
7800 Shoal Creek Boulevard
Austin, TX 78757

Tim Seat
Indiana Office of Utility Consumer
100 N. Senate Avenue
Room N 501
Indianapolis, IN 46204

Philip F. McClelland
Laura Jan Goldberg
Pennsylvania Office of Consumer
Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Charles Beck
Earl Poucher
Florida Office of Public Counsel
812 Claude Pepper Building
111 West Mochian St.
Tallahassee, FL 32399

South Dakota Public Utilities
Commission
Laska Schoenfelder
Kenneth Stofferahn
South Dakota Capitol
Pierre, SD 57501

Southern New England Telephone Co.
Linda D. Hershman
Vice President - External Affairs
227 Church Street
New Haven, CT 06510

The People of the State of
California
and the Public Utilities Commission
Peter Arth, Jr.
Edward W. O'Neil
Ellen S. Levine
505 Van Ness Avenue
San Francisco, CA 94102

United Telephone - Southeast, Inc.
Jay C. Keithley
1850 M Street N.W.
Suite 1100
Washington, DC 20036

Utah Division of Public Utilities
Thomas F. Peel
160 East 300 South
P.O. Box 45807
Salt Lake City, UT 84145-0807

W. Richard Morris
Attorney for United Telephone
P.O. Box 11315
Kansas city, MO 64112

U S West Communications, Inc.
James T. Hannon
1020 19th Street, N.W.
Suite 700
Washington, D.C. 20036

Virginia State Corporation
Commission
Edward C. Addison
William Irby
P.O. Box 1197
Richmond, VA 23209